

Selling A Rental Property

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This booklet is simply a collection of Newsflash articles relevant to rental properties. The articles are transferred from Newsflash into this booklet. It is not re written every time the law changes. Relevant articles from recent newsflashes are added to the end of this booklet at irregular intervals so make sure you read through to the end and read our monthly newsflash to keep our knowledge up to date.

The following are just some of the matters that investors should consider, please discuss your particular circumstances with your accountant before you actually purchase a property as these statements are general in nature and not conclusive. Also the law changes constantly. This document is not advising you to invest in property, just discussing some of the taxation considerations.

This booklet is part of a series that divide the BAN TACS Newsflash articles into the different stages of the property investing experience. Please make sure you read the others:

Before You Buy a Rental Property http://www.bantacs.com.au/booklets/Before_You_Buy_A_Rental_Property.pdf

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Reader's Question – CGT Liability

Due to the recent increase in property prices a reader has a nice problem in that the value of their rental property has nearly doubled in the year they have owned it. They are now in a position to sell their own home and the rental property to build their dream home debt free. That was until they realised the huge CGT liability on the rental property.

If they move into the rental property for 12 months until their new home is completed and then sell the rental property, they have halved the portion of capital gains that will be taxable on the sale. But there are even further benefits available from section 118-140:

Section 118-140 Your main residence exemption applies to two homes for a period of up to 6 months. This is intended to allow you time to sell your old home after purchasing a new one. To qualify:

- 1) The first home must have been your residence for a continuous period of at least 3 months in the 12 months immediately preceding the date of sale.
- 2) If you were not living in the first home at any time during the 12 months preceding the date of sale it can not have been used for producing income (i.e. rented out or used as a place of business).

Note section 118-140 is not optional it must apply so if you have made a capital loss during the period of overlap you cannot claim it

The above does not put any restrictions on the new home so it is not relevant that it was owned for more than 12 months before the sale of the original home or that it was rented out for the first 12 months. The reader is still entitled (in fact it is compulsory) to the 6 month overlap that exempts from CGT the new home for the 6 months before they move in. Accordingly, if they sell after owning the rental property for 2 years and living in it for 1 year, they will now only be taxed on one quarter of the capital gain and that will then be halved to allow for the CGT discount now that the property has been held for more than 12 months. Of course the first home is already fully covered by their main residence exemption so no CGT.

Tens of thousands of dollars saved by getting the right information first. This just emphasises the need to talk to an accountant before you do anything.

The 50% CGT Discount

As you are probably aware you need to hold onto a property for over 12 months from the date of signing the agreement to purchase to the date of signing the agreement to sell in order to qualify for the 50% CGT discount. Some clients have been making a very quick gain on properties and are impatient to sell in case prices fall. The choice is sell now and lose a lot of the profit in tax or hold on and take a risk on future prices. From the buyers point of view they are probably more concerned that prices will continue to escalate but are not in a rush to start paying interest on the loan. In fact the chance to fix a contract at today's prices but not have to pay anything for several months could be very attractive to some buyers.

ATO ruling TD 16 states - If an option is granted the date of the acquisition for the buyer and the selling date for the vendor, is the date of the exercise of the option.

Of course an option gives a purchaser the chance of avoiding entering into the contract to buy the property so you must charge a large enough amount for the option to ensure that the purchaser will exercise it after the date you specify. The ATO is currently trying to argue that if the option price is so high that the buyer will definitely exercise it then the contract is really entered into at the time the option is granted.

Confusion Over Rollover Relief Because U.S. Different

No rollover relief is available on investment properties in Australia. The only rollover relief is available to active assets of a business and it specifically excludes assets that have been used to produce rental income section 152-40(4)(e).

CGT 50% Discount Timing

In order to qualify for the 50% CGT discount you must hold an asset for more than 12 months. That is 12 months and at least one day from the date of the agreement to buy to the date of the agreement to sell. TD 94/D92 and Case 9451 (1194) 28 ATR state that a simple condition in the contract such as subject to finance will not delay the date of the contract. Only a condition precedent to the formation of the contract delays the date that the contract is deemed to be entered into. Most conditions on contracts are conditions subsequent so will not delay the contract date. To be a condition precedent it really has to be a condition that must happen before the contract comes into being. Accordingly, it would be difficult to use a condition precedent to delay a contract yet have a binding sale.

Rental Property CGT Audits

In my, over 20 years in practice not many of the Audit threat letters filter through to actual desk audits. You can expect a lot more action in the areas that can be simply generated by a computer ie letters rather than a personal visit. The trick is to make sure you are particularly careful with anything that the ATO can use their computer to cross match.

Most taxpayers know to be very careful with their interest income because the ATO's computer cross matches with the banks. The same reverence should be paid to capital gains made on rental properties. The ATO is well aware that the property boom will be a huge boost to revenue.

The ATO computers have two ways of catching you out. Firstly, the ATO computer will automatically send you a questionnaire if you stop declaring rent income without completing the CGT section of the tax return. If that doesn't catch you out then the ATOs data matching with the titles office is sure to get you.

Unlike audits involving human intervention these computer generated questionnaires will happen 100% of the time so it is not just a case of are you feeling lucky.

Building a Spec or a Rental?

Spec - GSTR2003/3 states at paragraph 10 "The sale of new residential premises by a registered entity in the course or furtherance of an enterprise it carries on, is a taxable supply for GST purposes." If you build a spec home it's sale is part of your normal business turnover so it will cause you to be registered for GST. Section 9-20(1) (b) includes as an enterprise an adventure or concern in the nature of trade. MT 2006/1 starting at paragraph 262 discusses and gives examples of the difference between merely realizing an asset which, is not included in your normal business turnover and a one off transaction that still has the nature of trade about it. Building on land with the intention of selling is definitely trading, not merely realizing an asset.

On the other hand if you did not build the property to sell but only to rent then when you sell it, it is not part of a normal sale in your enterprise of rental properties and as such does not force your taxable supplies over \$75,000 if all you are involved in is domestic rentals thus you are not required to be registered for GST. Even though the sale of the house would be the first sale of a new residence and therefore subject to GST you are not registered for GST so you are not caught. The onus of proving your intentions rests with you.

If you buy land with the intention of building a home on it to sell then the proceeds of the sale are normal business income, the 50% CGT discount is not available to you and GST will apply. You are entitled to claim GST credits for the cost of building the home and purchasing the land if it was not purchased under the margin scheme. As your buyer is unlikely to be in the business of buying and selling houses they will not be able to claim the GST back.

Rental - If you buy land with the intention of building a home on it to rent, when you eventually sell the profits on the sale are a capital gain and subject to the 50% CGT discount if it is more than 12 months between the time you agreed to purchase the land and the time you agreed to sell the house and land.

Steele's case created the precedent that interest can be claimed as a tax deduction while you hold land with the intention of building a rental property on it.

Be careful here if you sell the home without first renting it out for a continuous period 5 years GST will apply to the sale if you are already registered for GST in the enterprise that owns the home. To be more specific, income from domestic rental properties is not normally subject to GST so the owner is not normally registered unless they have another reason such as the enterprise also has commercial rental properties.

Note if say you are a sole trader accountant registered for GST but you also own a rental property in your own name, the sale of that rental property is not in the furtherance of you business as an accountant. Even though they are both owned by the same person they are not part of the same enterprise. If an enterprise's turnover of supplies subject to GST exceed \$75,000 the enterprise must register for GST. As domestic rental income is not subject to GST an enterprise that only receives domestic rents is not required to be registered for GST. While the sale of the rental property will exceed \$75,000 this is not part of the normal turnover of the enterprise so it will not create the need for it to be registered.

So to get back to my original point. If your enterprise is registered for GST and you sell a new rental property without holding it as a rental for 5 years you will be required to charge GST, if you are not registered for GST the sale of a new rental property in less than 5 years will not force you to be registered providing of course you can prove that you built the property to rent not to profit from its resale.

GST and Sale of Properties Held for Rental

Even holding domestic rental properties is considered an enterprise and qualifies for an ABN but normally landlords don't bother as they are not required to charge GST on rent on residential properties. So even if their turnover is more than \$75,000 it is not for supplies to which GST applies so they are not required to be registered. The eventual sale of the rental property will turnover more than \$75,000 but this is not included in the \$75,000 test unless they are in the business of selling rental properties. So if you are just a normal investor in domestic rental properties your turnover of GST supplies in the course of your business is never likely to exceed \$75,000. Even though the sale of the property is for more than \$75,000 it is not part of your turnover so will not force you to be registered for GST. If you are not registered for GST, you will not have to remit GST on the sale of a rental property. If you are registered for GST the sale of a domestic rental property will still not be subject to GST providing it is not considered the sale of a new home.

Landlords are required to charge GST on rent for commercial premises if they are registered for GST. They are required to be registered for GST if their rents for the year exceed \$75,000. Now the \$75,000 is in turnover so it doesn't include the sale of capital assets but if you are registered for GST when you sell it you may be required to remit 1/11th of the selling price in GST. If you have built or substantially renovated the rental property within 5 years before you sell, you need to read the above article about new houses.

CGT Small Business Concessions When Earning Rent

Paragraph 152-40(4)(e) of the 1997 Act excludes from all the lovely CGT small business concession any asset whose main use is to derive rent. TD 2006/78

<http://law.ato.gov.au/atolaw/view.htm?docid=TXD/TD200678/NAT/ATO/00001> gives examples of when the main use is considered to be to derive rent. Industrial sheds leased for over a year were considered to be deriving rent and not entitled to the concession but self storage sheds with a manager, a boarding house and managed holiday units were considered not to be used mainly for the purpose of deriving rent.

Factors that are considered relevant are the length of the tenancy, whether cleaning services are provided, where the owner or manager lives or works, whether the owner or manager retains the right to enter the premises at any time, the selling of other items to tenants such as boxes, equipment hire etc. It does not matter that the rentals are on such a large scale that they are considered to be a business, for income tax law purposes, rather than an investment.

In the case where the same piece of land is used for two different purposes apportionment is not necessary. It is what the main use is that will determine the fate of the whole property. For example a business owns commercial premises that it operates the business from but rents out part of the premises that it does not use. Providing the part of the premises used by the business is substantial, but it can be less than half, the decision is made on the basis of the amount of income generated. So if the rent you receive is less than the turnover of the business the premises are mainly used to derive business income not rent so the CGT concessions are available.

Selling Your Rental Property

GST legislation requires that the first sale of a new residential property is subject to GST, if the seller is registered for GST. So GST could apply to a rental property if the landlord was the one who built or contracted with the builder to build the property. There is an exception and that is if the property has been used as a rental for a continuous period of 5 years.

Note the owner of the property has to be registered for GST to be required to charge GST. If the owner's annual turnover is less than \$75,000 they are not required to be registered for GST even though they may sell a capital asset for more than \$75,000. Section 188-15 excludes input taxed supplies from the annual turnover and section 188-25 excludes the sale of capital assets used in the enterprise from the annual turnover. As the rental property was not built for resale at a profit but was built to hold as a capital asset its sale is not included in the annual turnover nor is the rental income because it is input taxed. So even though the sale of the rental property in under 5 years is a taxable supply the owner is not required to charge GST because he, she or it are not required to be registered.

Inheriting a Rental Property Trick

If you inherit a house that was a rental property of the deceased and he or she purchased after 19th September, 1985 it probably has a large capital gain attached to it. If you are in business or can think of a business you would like to dabble in, move the business into the rental property. This will make the rental property a small business active asset which qualifies you for additional CGT concessions if your turnover is less than \$2million or you and associates have net business assets of less than \$6million.

As long as more than 12 months has passed since the deceased purchased the property you will qualify for the 50% CGT discount when you sell the property. As a result of moving a business into the property you will qualify for further 50% discount if the property is considered an active asset (refer section 152 1997 Act). To be an active asset the inherited house needs to be used in your business for at least half the time you own the house or 7.5 years whichever is the shortest. The period starts from the time you inherited the property not from the time the deceased purchased it so it will not be hard to use it in the business for half the time you own it.

By the time you utilise the 50% CGT discount and the 50% active asset discount you are left with only 25% of the gain taxable. If you are over 55 years old you can utilise the retirement exemption to receive the remaining 25% tax free. If you are under 55 and you don't want to pay tax on this remaining 25% you can roll it over into another active asset for your business or contribute it to a superannuation fund until your are 55. Note this contribution will not be taxable in the hands of the superannuation fund.

Definition of Substantial Renovations

If you are registered for GST and sell a new house or substantially renovated house for the first time you must charge GST. If you did not acquire the house with the intention of reselling it at a profit (ie you acquired it as a rental or to live in) the sale of the house is not part of your normal business turnover so it will not force you to register for GST if you aren't already.

There is a concession, in that if you continuously rent out a property for more than 5 years and then sell it as the first sale of a new or substantially renovated property you do not have to charge GST even if you are registered. In the case of a renovated property the 5 years starts from the last substantial renovation.

People who buy a property with the intention of doing it up and selling it, are considered in business so, if their turnover of sales subject to GST is more than \$75,000 they will be forced to register. This is where it is particularly important to know what a substantial renovation is. If it is a substantial renovation and you bought it with the intention of reselling it at a profit then the sale of the house is part of your normal turnover so you will have to register for GST and charge GST on that sale. But if the next property you renovate is not substantially renovated, even though you are already registered you will not have to charge GST because it is not considered the sale of a new or substantially renovated home, so it is input taxed. This means you cannot claim input credits on the costs associated with it and do not have to charge GST.

If you did not buy the property with the intention of resale at a profit and you are not registered for GST then you do not have to worry about this no matter how substantial your renovations to the house are.

If you renovate properties for profit it is important you understand exactly what a substantial renovation is. GSTR 2003/3 states that a substantial renovation does not have to be structural but it needs to substantially affect the house, so just about every area of the house must be affected. Of course this could simply be the case if you painted it inside and out. But painting is only cosmetic so cannot in itself be a substantial renovation. It is a question of whether a substantial part of the house has been removed or replaced. It gives as an example of a renovation that is not substantial, the removal and replacement of a kitchen and bathroom as well as repainting the whole house.

Replacing the floor boards, electrical wiring or plumbing in a property is dangerous because it usually affects every room in the house and is not merely cosmetic. Moving or replacing walls can have the same effect but only if enough walls are changed that most of the rooms in the house are affected. A combination of various forms of non cosmetic changes that combined, manage to affect every room in the house will be a substantial renovation. Cosmetic work such as painting, sanding floors, changing fittings, curtains and carpet do not in themselves amount to substantial renovations even if they affect every room. Further, cosmetic changes to every room and substantial changes to only a few of the rooms will not amount to substantial renovations because the cosmetic changes are disregarded in considering if all the rooms are affected.

Cover your Rental with Your Main Residence Exemption

Section 110-25 (4) allows you to include in the cost base of an asset all the costs of ownership that have not been claimed as a tax deduction. This can range from travel to the hardware store, cleaning materials, lawn mowing, light globes and of course interest, rates and insurance. Most of these items cannot be used to

increase the cost base on a rental property because they have already been claimed as a tax deduction. You are more likely to spend money on the home you live in that will not necessarily increase its value.

Section 118-145 allows you to cover a home as your main residence for up to 6 years after you move out. You can then move back in again and cover it for another 6 years. This does not in any way prevent you from claiming a tax deduction for all the rental expenses.

Another incentive is that you are more likely to sell a rental than your own home so it is quite possible any capital gains left after you have attacked it with diligent record keeping may never be realised in your life time anyway. When you die as long as the place was considered your home at your date of death (a choice your heirs can make after the event) your heirs inherit it at its market value at your date of death with all CGT exposure forgiven.

When You Have a Carried Forward Loss

I am not talking about a capital loss. Just a normal revenue loss. This can happen if you have a negative rental property and take some time off work to travel or look after children. It is also applicable to non residents of Australia for tax purposes that own a negative geared rental property here, they save these losses for when the property becomes positively geared or they move to Australia.

Carried forward losses are reduced each year by exempt income. Basically exempt income is income that you do not have to include in your tax return. But this is more complicated than you would expect because income is a wide term. For example it can include Family Tax Benefits Part A payments received for your children. Here is a list of some typical payments that you may be concerned about:

Does Reduce Your Carried Forward Losses

Family Tax Benefit
Child Care Benefit
Child Care Tax Rebate
Maternity Allowance
Maternity Payment
Baby Bonus
Maternity Immunisation Allowance
One-off Family Payments
Defence Force Reserve Payments
Educational Scholarship, Bursaries, Assistance etc
Apprenticeship Wage Top-Up
Exempt Payments to Overseas Defence Force Members
Foreign Diplomats wages earned in Australia
The Overseas Earning of Foreign Diplomats in Australia
Australian Residents for tax purposes exempt overseas
Overseas wages exempt in Australia because you worked 91 days or more

Does Not Reduce Your Carried Forward Losses

Government's Co Contribution to your Super
- because it is income to the super fund not you
Any capital gain not taxed due to CGT concessions
- because this is not exempt income it is income but not actually taxed due to the concessions
Reference ID 2004/120.
Non resident income of a non resident of Australia
- specifically excluded from the offset rules by section 36-20

The same conditions apply if you have a loss from a business. This is one of the advantages of incurring losses in a trust. While they can't be offset against your personal income at least they can't be reduced by your personal exempt income.

Renovating or Building and Living There Before Selling

I hear over and over again from people in the property market how they are building or renovating homes then living there to apply their main residence exemption before selling and moving onto the next project. I am usually asked "how long do I have to live there to cover it with my main residence exemption?". They are usually shocked with the answer that it does not matter how long you stay there you are never going to get your main residence exemption on the property.

TD 92/135 states that if a property is built or renovated with a profit making intention the main residence exemption cannot apply. This is because the main residence exemption only applies to profits that are subject to CGT and CGT only applies if normal income tax does not. In the case of building or renovation with a profit motive (rather than as a rental property or private home) the profit would be caught as normal income. Note there are also GST ramifications which are discussed in our How not to be a Developer booklet.

The example given in the ruling is:

A builder constructs a spec home in which he and his family reside while construction proceeds on another spec home. Any profit on sale which gives rise to income is fully assessable to the builder even if a principal residence exemption is available for CGT purposes.

Renting Out a House You Built to Sell

There has been much written about this in Newsflash and our How Not To Be A Developer booklet. Basically if you are registered for GST and build a house for resale but then change the purpose by renting the house out you have to pay back the input tax credits on the property. You see a property held for rental is input taxed so no GST credits are available on the cost of building it. If you have been claiming them because you intended to sell the property so will have to charge GST on the sale, then later change your mind or can't sell it. Then using it as a rental property will mean quite a large amount of GST has to be paid back.

Now I imagine you are starting to think that it is not as black and white as that. You may not have changed the purpose at all it is just logical to collect rent for the property while the market is slow. I imagine there were some developers caught between a rock and a hard place. They can't possibly afford to pay back the GST but could really benefit by receiving some rent to help meet the overdraft.

GSTR 2009/4 <http://law.ato.gov.au/atolaw/view.htm?docid=GST/GSTR20094/NAT/ATO/00001> examines purpose beyond the current use and recognises a property can still be held for resale while it is rented.

You do not have to pay the GST back immediately, even if you are caught. You are only required to consider this issue once a year, when preparing your BAS for 30th June. You do not even have to consider an adjustment to the GST at the first 30th June after the original input credit has been claimed it is not until a full 12 months after the first 30th June that an adjustment must be made. Now if the property has at anytime been used for a rental then some adjustment needs to be made. But it may only be minor. Certainly if the property has now become a rental and it does not meet the available for sale status discussed above then you need to pay back all the GST. On the other hand with a property still being held with the intention of selling it, you only need to pay back a small portion of the GST. This portion is calculated by adding the estimated rent you expect to receive to the expected sale price then look at what percentage the rent is of this. This is the percentage of the GST credits you have to pay back. Yes, very vague but each 30th June you will have to re work this calculation until you sell it or all the adjustment periods have expired.

You need to look at the amount of each individual invoice or progress payment. If it is under \$1,000 no adjustment is necessary otherwise:

GST-exclusive value of the acquisition	Adjustment periods
\$5,000 or less	Two
\$5,001 to \$499,999	Five
\$500,000 or more	Ten

So you can see if you hold it for the mixed purpose of rental and sale for over 6 years you will have to pay some of the GST back but not all of it then in theory you could decide to no longer hold it for sale and de register for GST without having to pay all the GST input credits back.

Depreciation and a Property's Cost Base

Division 43 depreciation is for building costs, where as, division 40 covers depreciation on plant and equipment such as carpet, curtains, hot water systems and stoves.

If a property is purchased after 13th May, 1997 then any division 43 building depreciation claimable during the period of ownership must reduce the cost base. This is not too bad if you keep the property for longer than 12 months because the add back is only going to be taxed at half your marginal rate due to the 50% CGT discount where as the depreciation will be fully deductible at your highest marginal rate for each year.

Division 40 depreciation is a completely different issue. The assets depreciated under division 40 are not subject to CGT and considered separate from the property and are subject to normal income tax not CGT. So when you include the original purchase price of the property in the CGT calculation it must be first reduced by the value that you have attributed to plant and equipment in the depreciation schedule. For

example if your quantity surveyors report or your estimated value) shows that the plant and equipment is valued at \$50,000 and you paid \$450,000 for the property then you can only include \$400,000 of the original purchase price in the cost base of your CGT calculation. The \$50,000 worth of plant and equipment is dealt with separately. By the same token when you sell the property the selling price is reduced by the value of the plant and equipment included in the sale.

If you do not know the market value of the portion of the selling price that is attributed to the division 40 assets then you can assume that their value is the same as their written down value in your depreciation schedule if you have used the ATO depreciation rates. This means that there is nothing taxable on the sale of the plant and equipment and the net effect of all this is that the cost base is reduced by the amount of division 40 depreciation claimed during the period of ownership. This is because the original purchase price was reduced by the value of the plant and equipment at the time of purchase and the selling price is reduced by the value of this plant and equipment not yet depreciated. The difference has to be the depreciation claimed.

Now if you buy additional plant and equipment or replace existing stuff this is all dealt with through the depreciation schedule.

Demolishing a Rental Could Expose it to GST

Before you go picking up that sledge hammer thinking you will get more for your rental property as vacant land have a read of ID 2009/20 and ID 2009/19.

In these examples the owners of both these rental properties were registered for GST because they did some development and held some properties simply as rentals.

Subsection 9-30(4) of the GST Act states:

A supply is taken to be a supply that is input taxed if it is a supply of anything (other than new residential premises) that you have used solely in connection with your supplies that are input taxed but are not financial supplies.

Input taxed means you do not have to remit GST on the income you receive. One property had a demountable home on it which the owner sold off separately and the purchaser of the demountable home was required to remove the house at their own cost. In this case the ATO considered that the property had at all times been used solely as a domestic rental and was input taxed so the sale of the vacant land was not subject to GST.

In the other example the owners decided to demolish the property themselves. The ATO considered this to be using the property other than for input taxed supplies so GST applied to the sale of the vacant land.

Of course if they simply left the house on the land, GST would not apply either because it only applies to the first sale of residential property and then only if it has not been used as a rental for a continuous period of more than 5 years. Removing the house changed it from residential property to simply vacant land.

GST When You Sell a House You Built as a Rental

The following section references are provided to assist readers whose accountants are advising them that they must pay GST if they sell a rental property less than 5 years after they build it.

If you are not already registered for GST you are not required to do so just because you choose to sell a property you built with the intention of holding as a rental. Section 23-5 states that if the annual turnover of supplies you make in the normal course of your enterprise, exceed \$75,000 you must register for GST. Section 185-25 excludes from the calculation of annual turnover the supply of a capital asset. Building the property for rental then selling, is the supply of a capital asset and not included in the annual turnover. Section 118-15 excludes from annual turnover input taxed supplies so any domestic rent received is not included in annual turnover.

Pre 20th August 1991 Properties

People who bought property between 19th September 1985 and 20th August 1991 are not permitted to increase their cost base for CGT purposes by holding costs such as interest and rates. This means they are quite likely to have to pay CGT when they have made no gain at all. Further, as CGT does not take into account loss of purchasing power ie the portion of the capital gain that is simply inflation, each year they continue to own the property they may actually be worse off.

If you have a post 19th September, 1985 but pre 20th August, 1991 property and it isn't earning income, for example vacant land or a holiday house, here is how you work out whether you are just doing so for the ATO's benefit.

Start with the current market value now because any accumulated tax liability to date is there whether you sell now or later. \$200,000

Opportunity cost is used because it is assumed by now you have probably paid this property off. Nevertheless, we need to take into account the bare minimum use this money could be put to, after tax. Because this is surplus funds I will assume it is invested in the name of a low income family member or put into superannuation so the tax rate would only be 15%. Even at a low risk return of 6% that would be 5.1% after tax, multiplied by \$200,000 \$ 10,200

As it is vacant land rates would be less say \$ 1,200

These holding costs of \$11,400 are 5.7% (11,400/200,000) of the market value of the property. As these are not tax deductible the property has to go up in value more than this to cover the capital gains tax on the increase in value that only covers the holding costs. Assuming the owner of the property is only in the 31.5% tax bracket but allow for the 50% CGT discount the property has to go up 6.7% a year ($5.7 / (100 - 15.75) \times 100$) just to cover its holding costs.

Do you expect the property to go up in value by at least 6.7% a year every year? If not you are only holding for the ATO's benefit.

You should also do this calculation for rental properties purchased during that period, though the rental income will reduce their holding costs considerably.

Valuations

There was a time when I used to say that it is worth paying a registered value to set any market values you may require for tax purposes as anything less than that and the ATO can argue their registered valuer's opinion is trumps.

Since the findings in *Venturi v FC of T* 2011 ATC 10-200 I have to revise that statement. In this case the ATO valuer and the taxpayer's valuer disagreed by more than \$650,000. While the AAT found (on quite reasonable grounds) that the ATO's valuer's methods to be more acceptable there was also an interesting point made in the judgement:

“The Applicant (taxpayer) has failed to discharge the onus he bears of proving that the assessment of his income tax liability for the year ended 30 June 2006 was excessive”

You see our tax law (unlike criminal law) puts the onus of proof on the taxpayer to prove (beyond reasonable doubt) that their information is correct. The ATO only has to argue that it is not irrefutable ie, there could be another opinion and unless the taxpayer can prove that other opinion is wrong and theirs' is right then the taxpayer is stuck with whatever the ATO comes up with as it takes precedent. This is very unacceptable when the law calls for the taxpayer to come up with a market value and the taxpayer pays a registered valuer to do so. Though I must stress in this case the valuation methods were dodgy.

Pre CGT Property

A pre 19th September, 1985 property should be the last property you ever sell because the longer you keep it in your name the longer the capital growth will be CGT free. Subdividing it or renting it out won't change its pre CGT status.

If you subdivide and change the name on the title ie give a block to your child, that block will lose its pre CGT status. Better that the child inherits it as the longer you live the longer the capital growth will be exempt from CGT and there is no stamp duty. On the other hand if the child has no other property they are covering with their main residence exemption, they are going to live there and the block is less than 2 hectares the only downside of transferring before you die is the stamp duty costs and the risk they may not

always be able to cover it with their main residence exemption. Also consider that the best form of asset protection for your children is for their assets to be held in your name if you are less likely to be sued.

When you die your heirs will inherit any pre CGT assets you own at the market value at the date of your death. If the asset is a dwelling they have up to 2 years in which to sell it and no CGT will be payable. This 2 years can be extended if there have been undue delays at probate or the dwelling is occupied by a person who was given the right to occupy under the deceased's will.

Cluses In Real Estate Contracts

Not all Real Estate contracts are the same, not only should you read them before signing but you should take it to your Solicitor first. Don't let a pushy Real Estate agent talk you into signing up without professional advice. Think about the huge amount of money involved.

The first sale of a residential property is subject to GST but any sales after that are exempt from GST. Take the example of a property has previously been sold as a residential property. If it was still considered a residential property no GST would apply. But the house was actually being used as a medical practice. If the property is considered commercial rather than residential GST will apply to the sale. So when is a house a commercial premises?

It is all about the condition the property is in at the time of sale GSTR 2000/20 states about residential premises:

Residential premises is defined as land or a building that:

(a) is occupied as a residence or for residential accommodation; or

(b) is intended to be occupied, and is capable of being occupied, as a residence or for residential accommodation;

(regardless of the term of the occupation or intended occupation)

.... It is their physical characteristics that mark them out as a residence. In turn, these characteristics determine when the use or proposed use is for residential accommodation.

..... To be residential premises as defined, a place need only provide sleeping accommodation and the basic facilities for daily living, even if for a short term.

24. The definition of 'residential premises' in section 195-1 refers to land or a building that is occupied as a residence or for residential accommodation or is intended and capable of being occupied as a residence or for residential accommodation.

26. The physical characteristics common to residential premises that provide accommodation are:

(i) The premises provide the occupants with sleeping accommodation and at least some basic facilities for day to day living.

(ii) The premises may be in any form, including detached buildings, semidetached buildings, strata-title apartments, single rooms or suites of rooms within larger premises.

28. The definition states that residential premises must be capable of occupation as a residence. To be a residence in this sense, a place normally should have the facilities required for day to day living. These characteristics are inherent in the fabrication of the structure itself. The premises should have such things as areas for sleeping, eating and bathing, but it is not necessary that these things be arranged in a similar manner to a conventional house or apartment.

29. Premises that lack these basic features, may not be either residential premises or commercial residential premises. Supplies of buildings or other structures without these characteristics are subject to GST under the basic rules, regardless of whether or not they are or have been at one time, occupied as some form of residence.

There is much more in GSTR 2000/20 if you need further clarification but the paragraph that caught my client in particular was:

31. In some cases, the purpose for which the premises are to be used will be evident from their form or fit-out. This is most clearly the case where premises have been fabricated, or altered, to accommodate commercial or professional activities.

The property was used to provide professional medical service immediately before the next time it was sold. So this was not the sale of residential premises it might have all the things necessary to be a house but it was commercial premises and the supply of commercial premises is subject to GST, that is, if the seller is registered for GST. Sometimes the premises are owned by a separate entity to the practice and that may not be registered for GST. Section 23-5 states that if the annual turnover of supplies you make in the normal

course of your enterprise, exceed \$75,000 you must register for GST. Section 185-25 excludes from the calculation of annual turnover the supply of a capital asset.

Going Concern Clauses

If the sale of a commercial property qualifies as the sale of a going concern the seller will not have to pay the ATO any GST when they sell the property. The trouble with property is its market value seems to ignore the GST component. This means that the seller may well get the same price for the property whether they charge GST or not, the difference being whether they have to send 1/11th of the selling price off to the ATO. So sellers are always on the lookout for a way to avoid this. A going concern clause, is a dream come true for a seller of a commercial property. It pushes the GST obligation onto the unsuspecting buyer who has already paid full market value for the property.

A going concern clause only ever has a good outcome for the buyer if they just can't afford the funds up front to pay the GST and then wait for the ATO to refund it. Before a going concern clause can apply both the buyer and seller must be registered for GST. If the contract was subject to GST then the buyer would be entitled to claim it all back from the ATO anyway.

Say the market value of a property is \$550,000 if the contract is subject to GST then the seller would have to send off \$50,000 to the ATO and only end up with \$500,000 in the hand. The buyer may hand over \$550,000 but in the next BAS he or she will get \$50,000 back as an GST input credit so is really only out of pocket \$500,000. This means that if the sale is going to be subject to the going concern provisions the property should really change hands for \$500,000. I don't like your chances of talking the seller into that when they know the valuation is \$550,000. A buyer is probably better to not agree to the going concern clause, just register for GST and pay the full \$550,000.

The main reason buyer doesn't want to agree to a going concern clause is because if they ever de-register for GST or stop using the property in a business, for example turning professional offices back into a house, then the buyer has to pay back the "notional" GST input credit received. In the example above, that means effectively paying another \$50,000 for the property. Notional, because they buyer didn't actually receive it, it was just that the seller didn't have to pay it to the ATO, but the law is like this because the going concern exemption from GST is intended to make the property cheaper by the value of the GST. This is something that does not always happen unless the purchaser is well informed and a very good negotiator.

If you have bought under a buying concern clause this may lead you to decide to sell the property and cut your losses. That won't get you out of it either. Let's assume you decide this rather quickly so the property is still only worth \$550,000 but what if your purchaser is not as gullible as you were? If the purchaser does not agree to use the going concern exemption (and they only should if you sell it below market value) you are going to give the ATO \$50,000 of your sale proceeds even though you may still owe the bank the \$550,000 you paid for it.

Going Concern Clauses In Real Estate Contracts

The decision in MBI Properties Pty Ltd v FC of T 2013 ATC 20-372 was handed down on the 12th February, 2013. MBI had to pay back \$215,000 in GST even though they had paid full market price for the property. So please don't read the article on clauses and think it couldn't possibly be that bad.

In the MBI case they should not have agreed to the contract being one for a going concern because they intended to lease the apartments back to a hotel group. As it was the hotel group operating the business not MBI all MBI were doing was renting residential property to the hotel group. Residential property rents are not subject to GST. To qualify for the going concern concession you need to be making supplies that are subject to GST.

Please note that despite market price being paid for the property the purchaser had to then pay the ATO another 1/10th of the purchase price because they didn't use the property for the correct purposes. The ATO still considers them to have benefitted from a discount by not paying the GST. The unfortunate reality in most of these cases is that it is really the seller who has benefited by not having to send of 1/11th of the selling price to the ATO yet still managing to sell for full market value.

Don't be misled into thinking that a going concern sale avoids GST. All it does is remove the obligation from the seller to send 1/11th to the ATO and the ATO to send that 1/11th back to the buyer. This helps with cash flow at settlement that is all. The buyer is still considered to have received the GST input credit so must charge GST when they sell (or sell 1/11th below market value) and they must pay the GST back if they

de register or stop using the property for GST purposes, for example change of use to a residential rental property.

In MBI's case they acquired apartments that would be leased to an entity that provided serviced apartments. Sure this is a commercial use of the apartments by the other entity but MBI was doing nothing more than renting residential property to that entity.

Fortunately, MBI is a related party to the seller so it will all come out in the wash but there are Mum and Dad investors also caught up in this. Their cases are yet to be heard by the courts.

Utilising the Margin Scheme

If you are registered for GST and selling a property that will be subject to GST ie not established residential property. You and the buyer can agree to have the margin scheme apply to the sale. This means you will only have to pay GST on the difference between the price you paid and the selling price but it also means the buyer cannot claim back any GST input credits.

If the buyer is not entitled to claim GST input credit on the property they may expect to pay below market value. Here is how the numbers work:

Using the margin scheme means, that GST is only paid on the difference (margin) between the selling price and the original purchase price. So let's say the seller originally purchased the land for \$200,000 but was not entitled to a GST input credit because the original seller was not registered for GST. Having purchased for \$200,000 she then builds a commercial shed on the land and sells it to you for \$530,000. If the buyer agrees to the sale being subject to the margin scheme the seller only has to pay \$30,000 ($\$530,000 - \$200,000 = \$330,000/11$) to the ATO netting \$500,000 from the sale.

On the other hand if the margin scheme was not used, the property could change hands for \$550,000 the seller would have to send \$50,000 to the ATO, still netting \$500,000 but the ATO would pay the buyer \$50,000 in GST input credits if the buyer is using the property to make GSTable supplies. .

The trap is if you are registered for GST you are going to have to charge GST when you sell. If the property is still not a residential property at that stage and your purchaser has good advice, they will not agree to the sale being under the margin scheme. So even though you didn't get an input credit on the property when you purchased it, when you sell you will still have to pay the ATO the whole 1/11th of the selling price if the buyer won't agree to the margin scheme. Assuming both your purchase and sale are at the market value, which for some strange reason seems to ignore GST, you have paid more than your fair share of tax.

If after reading this you are kicking yourself that you didn't use the margin scheme in a particular contract, it is not too late, providing you can get the purchaser to agree you can apply to the ATO for an extension of time to apply the margin scheme at <http://www.ato.gov.au/content/00315699.htm>

Converted House Residential or Commercial For GST?

When is a house commercial premises? This is a very important question because if a house has been changed enough it will no longer qualify for the GST exemption that residential premises receive. If the property is considered to be commercial then the rent will be a supply that is subject to GST and the sales of the property will be subject to GST for up to 1/11th of the sale proceeds even when sold at market value.

This of course only applies if you are registered for GST. You must register for GST if your turnover exceeds \$75,000 (exclusive of GST). Turnover does not include supplies that are input taxed such as residential rents and sales of capital assets. So converting one of your rental properties to offices is not going to force you into the GST arena if your only other income is wages and rent on residential properties.

Nevertheless, for owners of converted homes who are registered for GST (for example they may operate their own business from the premises through the same entity as the owner of the premises) it is extremely important to know whether GST applies when you sell. You will probably get the same price for the property, market value, but whether GST applies or not will determine whether you are required to send the ATO 1/11th of the amount you receive, so there are tens of thousands of dollars at stake.

The ATO has changed its opinion on when a house becomes commercial premises. Previously paragraph 31 of GSTR 2000/20 stated:

the purpose for which the premises are to be used will be evident from their form or fit-out. This is most clearly the case where premises have been fabricated, or altered, to accommodate commercial or professional activities.

GSTR 20002/20 has been withdrawn and replaced by GSTR 2012/5 which elaborates on when a house would be considered residential premises. Paragraph 10 states:

Premises that display physical characteristics evidencing their suitability and capability to provide residential accommodation are residential premises even if they are used for a purpose other than to provide residential accommodation (for example, where the premises are used as a business office).

Despite the differences between these paragraphs apparently the ATO has not changed their view only elaborated. Both rulings say it is all about the physical characteristics rather than the use to which the premises are put. GSTR 2012/5 points out at paragraph 36 that a shop that is used as a home is still commercial premises for GST purposes.

GSTR 2012/5 looks at the original intention of the design of the property and asks does it provide shelter and basic living facilities. Now you could say this was the case in many office blocks but the ruling differentiates by stating that they were not designed for that purpose. The next step is to consider whether the house has been modified to the extent that it is no longer residential premises. A significant physical modification that the ruling considers to have changed residential premises to commercial are a doctor's surgery where sealed car parking area, an operating theatre, hygiene facilities, industrial security, altering walls and additional lighting pushed it over the line.

Simply putting a sign out the front, fitting out an office and connecting the appropriate power and phone lines will not change a residence to commercial because it can still be used as a home without modification. On the other hand if you want to be sure the premises are considered commercial, remove the shower and bath. Anything in between get a ruling from the ATO because there is too much at stake.

GSTR 2012/5 has introduced a third scenario to the mix. You can be considered to have changed only part of the property to commercial so its sale or lease would be a mixed supply for GST purposes. In the doctors example GSTR 2012/5 found that the waiting room and store room were still considered residential premises because they had not changed in appearance (other than furniture) from the lounge and bedroom that they were in the original home. This means that on sale only part of the proceeds would be subject to GST. This is despite the GST Act at section 40-65 (1) on the sale of residential premises stating:

A sale of real property is input taxed (not subject to GST) but only to the extent that the property is residential premises to be used predominantly for residential accommodation.

If a property such as this, where some of the rooms still resemble residential property, is rented out then the rent also has to be apportioned, some of it subject to GST and some not. The same apportionment would apply to claiming GST input credits on expenses.

The worst consequence is that when you purchased it pre GSTR 2012/5 the sale may have been considered to be fully subject to GST because it had been "predominantly" modified to commercial purposes. Well now it seems that apportionment is necessary, you will have to pay some of that GST input credit back (even if you bought under a going concern clause).

Don't be upset about the advice you got at the time here is some extracts from the GST Act:

Section 195-1 – The term 'residential premises' means land or a building that:

- (a) is occupied as a residence or for residential accommodation or*
- (b) Is intended to be occupied and is capable of being occupied as a residence or for residential accommodation*

Yet the ATO make it clear in GSTR 2012/5 that whether the property is being used as a residence or not has nothing to do with the GST outcome ie a shop being used as a home is not residential premises. It is all about the design. That is what the word intended means, not the intended use by the buyer but what the designers intended it to be used for. This is how they can dissect up a house catching some rooms for GST and not others. They can look at the lounge room and say no real change since it was a house even though it is now being used as a waiting room but then look at one of the bedrooms and say it has now been changed, the last person who was involved in the design of that part of the property (ie modifying it) changed the intended use to a commercial purpose because a wall was removed, extra lighting, hygiene facilities and industrial security have been added.

Our advice is that if you are buying, selling or leasing a property that was originally a house that has undergone some modifications to make it suitable for commercial use but still has a shower or bath tub, apply to the ATO for a ruling on how much of it is subject to GST and let the ATO sort out its own mess.

Unfortunately, you will need to do this before signing a contract and you will have to wait at least 28 days before receiving a reply. If you are the seller it would be sensible to apply for the ruling before you even have a buyer.

Note, in Newsflash 261 there was a story about a reader who purchased a house converted to a medical practice but intended to use it as her home. Under this new ruling GSTR 2012/5 the property may well have been considered residential premises rather than commercial or a mixed supply. Where taxpayers have relied on the wording of GSTR 2000/20 for any sale contracts they entered into before 19th December, 2012 they are protected from the findings in GSTR 2012/5 but that is not going to help you when you sell and if you are charging rent you need to get it right from 19th December, 2012 going forward.

CGT Consequences of Depreciation

If you purchased your property after the 13th May, 1997 then any building depreciation that you could have claimed against your income must also reduce your cost base for CGT purposes. Generally, choosing not to claim the depreciation will not help you avoid the add back for CGT purposes. The legislation refers to depreciation that you were entitled to claim, not whether you claimed it or not.

There is a small window of opportunity here if you have not claimed building depreciation and do not know the amount that you would qualify to claim. It is intended to prevent people having to obtain a quantity surveyors report just to calculate their CGT when they have not had the benefit of the tax deductions over the years.

PLSA 2006/1 states that if you have no other way of obtaining the original building costs than paying for a quantity surveyors report and you have never claimed building depreciation in your tax return then you do not have to reduce your cost base.

TD 2005/47 addresses the situation where you do know the building costs ie you were the original owner, yet you have not claimed depreciation at all. In this case you only have to increase your cost base by the depreciation you could claim if you amended your tax returns. This limits your add back to the number of years you would be allowed to amend your tax return to claim the missed depreciation. Taxpayers with simple tax returns are only supposed to be able to amend back two years so you would only need to increase the cost base by two years depreciation. Note that the two years is from the assessment date. In a recent case the ATO was successful in arguing that in most cases a 4 year limit applies because beneficiaries of trusts have a 4 year limit and most trust deeds have such a wide definition of beneficiary that just about anyone could be caught. It is not necessary that they receive a distribution from the trust, it is enough that they technically could. As a result of this case the government's reduction of the amendment period for average tax payers to 2 years has been completely circumvented by the ATO.

Depreciation of Plant and Equipment:

It may surprise some readers to find out that there is no CGT on plant and equipment. It is subject to normal income tax ie no 50% CGT discount. If you have been using the ATO rates for your depreciation the ATO will generally accept that the original purchase price of your plant and equipment is the same as the start figures in your depreciation schedule and that the value of the plant and equipment on sale is the same as the balance of unclaimed depreciation in the schedule, so there are no tax consequences.

But this means that the first element of your cost base on an investment property, for CGT purposes, is the purchase price less the start value of the plant and equipment. Further, the sale price included in the CGT calculation is the sale proceeds less the remaining unclaimed depreciation in the schedule. Note if there was a period where the depreciation was not claimed ie the property was used for private purposes, the balance in the depreciation schedule should still have been reduced.

Property Business or Merely Realising an Asset?

In *August v FCT* 2012 FCA 682 a taxpayer failed to prove that when they purchased a property 9 years ago it was not their intention to sell it for a profit but to hold it as an investment thus qualifying for the 50% CGT discount.

The taxpayer acquired various shops in the same centre from 1997 to 1999, did them up, put tenants in them on long term leases then sold them in 2006. The Federal Court found that Mr August's primary intention in buying the properties was to resell them at a profit so he was not entitled to the 50% CGT discount.

The last shop was put under a long term lease in June 2004 and the biggest mistake Mr August made was that in June 2005 he consulted a Real Estate Agent to find out how much he thought the properties were worth. The court found that this was too soon after the last shop secured a long term lease and was a sign that way back in 1997 he must have purchased the properties with the primary intention of selling them for a profit. Mr August says he was merely interested in gauging what they were worth but the Real Estate agent hounded him and having obtained a very good offer for the shops Mr August was persuaded to sell, even though his original intention was to keep the shops until he died.

The courts did not believe that he merely consulted the Real Estate agent to obtain a valuation as the bank had valued the property just less than 6 months before hand. It seems considering that a bank valuation may not be realistic so wanting to get another opinion 6 months was a big mistake. The court said this suggested that several years earlier Mr August's thoughts when buying the properties were to sell them as soon as they had been renovated and leased out.

By the way the selling price was \$2.33 million yet the bank valuation was \$1.83 million. Now despite the court claiming he had no reason to require another valuation as he had one from the bank they would not accept Mr August's explanation that he only sold because of the extremely high price offered. Otherwise, he would have continued to hold the shops until he died. The courts found that the selling price was not a "mad price" so was not the motive for selling. This seems a contradiction to me. Which is it? It was either a "mad price" or bank valuation was unrealistic so the taxpayer was justified in seeking another opinion?

The courts found that another sign of Mr August's plan, right from the start, was to resell at a profit was because he had consulted a family friend on where to buy a property and this family friend was in the business of buying shops doing them up and selling them for a profit. The family friend testified that he advised that the purchase was unlikely to be a bad move because it was so undervalued that he would always be able to sell for more than he paid.

The courts also said that there was no change in Mr August's circumstances to justify selling so it must have been his intention from the start.

Against Mr August's argument, was the fact he had bought and sold other properties holding them for around a year. Nevertheless, this is not to say his intention was different with the property in question, it certainly seemed to be considering the length of time he kept it.

This case seems to add a whole new set of rules to make sure you are considered a property investor not a developer. Basically they can be summed up as avoiding making any good decisions in regard to your property investing. For example do not consult a Real Estate agent on what your properties maybe worth, no matter how curious you are. Do not seek advice from successful property developers even if they are family. Don't sell just because it is a great time in the market to do so, you need to have a change of circumstances that motivated you. Do not buy undervalued properties!

CGT Calculation

If you have sold a property this year that is subject to CGT you may find our CGT calculator a useful guide in collating the information your Accountant will need.

<https://www.bantacs.com.au/shop-2/cgt-calculator/>

Vendor Finance GST Trap

It is the amount that you sell the property for that determines the GST liability, even if you never end up getting that money because a vendor finance arrangement falls through.

In *KFBC v C of T* 2013 AATA 577, to assist the purchaser, the vendor agreed to take only part of the sale price at settlement, effectively lending the purchaser the balance and taking a second mortgage over the property. In this case the purchaser was a developer. When the developer defaulted on the loan agreement the vendor accepted that instead it would receive three blocks of land and \$500,000. The \$500,000 was received but the bank, holding the first mortgage sold up the land before the vendor received the three blocks. And naturally enough after the bank had finished taking its share there was nothing left for the vendor.

Nevertheless, the property was still effectively sold for the original agreed price and GST was payable on that full amount. It is not related that the loan the vendor made to the purchaser went belly up.

GST Clauses

In *Tam V Mannall* 2010 NSWSC 250 the contract read:

“Normally, if a party must pay the price or any other amount to the other party under this contract, GST is not to be added to the price or amount.”

The sale was for commercial premises by an entity registered for GST. The seller claimed that at the auction it was understood that the amount bid would be the net of GST amount, they apparently used the words “GST on top”. The purchaser denied knowledge of this and won the case based on the wording of the contract. Although the outcome could have been different if there was some independent written evidence that the price was promoted as plus GST on top, as was the case in *Ashton v Monte Leone* 2010 NSWSC 258. The seller may then have been successful in arguing that the contract wording was a common mistake.

The contract used was a standard real estate contract. That is the trouble with auctions, you are forced to sign there and then and can't run off to your solicitor and accountant for advice. If you are considering bidding at an auction, don't just go along thinking nothing will come of it so why spend the money on professional advice.

From the seller's point of view, at an auction, the roles are very much reversed, you will not be presented with an offer where you can then go and seek advice. This seller got 1/11th less than they anticipated because they were locked into whatever happened on the day, probably expecting the real estate agent to look after their interests.

Auctions might get action but it is all too fast for anyone to do their due diligence before signing. The due diligence has to be done before the auction and as seriously as if you had already decided to buy or sell. Please if you are going to sell or buy at an auction ask for a copy of the contract before the day and get advice from a Solicitor and Accountant on just what that contract says. There are plenty of other dangerous clauses to be aware of. Even if you are buying a home to live in you still need to make sure there is a vacant possession clause and that there is not a going concern clause. Buying land that was once used as part of a farm can also have its dangers. I know, I am nagging now, I just want readers to understand that whether they are buying or selling there are no real estate deals that are simple enough to just rely on what the real estate agent tells you.

2017 Budget update

If you own an NRAS property that has made a capital gain then don't sell just yet. At least wait until after 1st January 2018 before you sign a contract, so that you will get a 60% CGT discount rather than just 50%. You or previous owners have to have held the property as an NRAS property for at least 3 years. If the property has not always been used for NRAS then the extra 10% CGT discount is apportioned pro rata on the days used for NRAS verses days not. It appears the government intends to widen this concession to other properties that have been made available on similar terms to NRAS, no detail yet.

Winning Property Tax Strategies – The Book

By best selling authors Noel Whittaker and Julia Hartman, *Winning Property Tax Strategies* is a must-read for property owners and accountants alike. Residential property is Australia's favourite investment, yet many landlords fail to achieve their dreams of wealth because they get it wrong from the start. *Winning Property Tax Strategies* provides a unique insight into the many different facets of property investing. Primarily it addresses taxation issues, but the emphasis is that one size does not fit all. You can purchase it online by going to <https://www.bantacs.com.au/shop-2/> The cost is \$29.95 plus \$6.55 postage – tax deductible of course!

Ask BAN TACS

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More Information

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[library/booklets/](#) in fact the whole web site is full of useful information so also have a look around under topics.

How to Make Sure Your Next Property Is a Good Investment

- Do you really know how much the property is going to cost you to hold?
- What name should the property be purchased in?
- Will this property fit your investment strategy and goals?
- What does the contract say about GST?
- How does the price compare with similar sales in the area?
- If it is negatively geared, how much capital growth is required before you breakeven?
- Do you know what records you need to keep and how?
- Are your financing arrangements maximising your tax deductions?
- What happens if interest rates rise?

.....and the list goes on!

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